

PUBLIC DISCLOSURE

February 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Merchants & Farmers Bank of Greene County
06010830

Eutaw, Alabama

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Merchants & Farmers Bank of Greene County prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of February 20, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank has a reasonable loan-to-deposit ratio. The bank is primarily a mortgage and consumer loan lender with a substantial majority of loans originated in its assessment area. A review of the bank's loan policy and procedures found the bank to be in compliance with the substantive provisions of antidiscrimination laws and regulations. No evidence of discrimination or other illegal credit practices was found during the examination.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of Merchants & Farmers Bank of Greene County with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>MERCHANTS & FARMERS BANK OF GREENE COUNTY</u>		
	PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Merchants & Farmers Bank of Greene County has one office in Eutaw, Alabama. According to the December 31, 1995 Consolidated Reports of Condition and Income, the bank's assets totaled \$35.5 million. The January 17, 1995 commercial examination conducted by the State of Alabama State Banking Department identified no legal or financial impediments that would hinder the bank from meeting the credit needs of the community.

Merchants & Farmers Bank of Greene County offers a variety of credit products to meet the community's credit needs.

The bank offers the following types of credit:

- C Personal loans to individuals
- C Vehicle and boat loans
- C Business loans
- C Cattle loans
- C Farm and real estate loans
- C Home improvement loans
- C Home mortgage loans of 20 years or less
- C Loans made in conjunction with the Small Business Administration (SBA) and the Farmers Home Administration (FmHA)

The composition of the loan portfolio according to the December 31, 1995 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	\$(000s)	PERCENT OF GROSS LOANS
Construction and land development	304	2.0
Secured by one- to four-family dwellings	6,085	39.6
Other real estate Farmland	1,247	8.1
Multifamily	259	1.7
Nonfarm nonresidential	822	5.4
Agricultural	483	3.1
Commercial and industrial	2,443	15.9
Loans to individuals	3,465	22.6
Other loans	244	1.6
Gross Loans and Leases	15,352	100.0

DESCRIPTION OF INSTITUTION (CONTINUED)

As illustrated by the table above, a large portion of the loan portfolio is made up of one- to four-family residential loans, loans to individuals, and commercial and industrial loans. The bank has identified small dollar loans as a need in the community, and of the 2,277 loans originated between January 1, 1995 and January 31, 1996, 1,888 (83 percent) were loans to individuals. Many of the loans to individuals are small dollar loans made to low-and moderate-income individuals.

DESCRIPTION OF ASSESSMENT AREA: GREENE COUNTY

The bank's assessment area of Greene County includes four incorporated areas: Mantua-West, Eutaw, Boligee, and Forkland-Tishabee. The county is predominately rural and is made up of block numbering areas (BNAs) 9743, 9744, 9745, and 9746. According to 1990 Census data, the population of the county is 10,153, which represents a decrease of approximately 868 from the 1980 Census. The projected population for the year 2000 is 9,550. The population of each BNA is as follows:

AREA	BNA	POPULATION	PERCENT OF TOTAL POPULATION
Mantua-West	9743	2,146	21.1
Eutaw	9744	4,813	47.4
Boligee	9745	1,073	10.6
Forkland-Tishabee	9746	2,121	20.9
Total		10,153	100.0

African Americans make up 81 percent of the population of Greene County. As of 1990, the median family income for Greene County was \$15,663, and the median household income was \$11,990. Of the families in the bank's assessment area, 57.5 percent have low or moderate incomes, and 39.2 percent have incomes below the poverty level. Most of the families with incomes below the poverty level reside in the Boligee and Forkland-Tishabee areas.

The condition of the economy has remained stable; however, the potential for growth is limited. According to the December 31, 1995 Department of Labor and Statistics report, the unemployment rate for the county was 11.6 percent, which is significantly higher than the state of Alabama's unemployment rate of 5.6 percent. Greene County's unemployment rate can be attributed to the lack of industries and skilled laborers in the area. The largest employer is the Winchester Carton Corporation. Greene County is also known for its greyhound dog racing facility. Other industries located in the area are farm-related industries that are dependent on cotton, timber, soybeans, cattle, corn, and catfish farming. The 1992 U.S. Census employment data for county business patterns show 142 businesses in Greene County. Manufacturing, service, and retail trade industries are the major employers. Of the 142 businesses, 139 (98 percent) are small businesses with fewer than 50 employees.

According to 1990 Census data, 4,162 housing units are in the bank's assessment area. 60 percent are owner-occupied units, 24.4 percent are renter-occupied units, and the remaining 15.6 percent are vacant units. The median housing value is \$34,345 in Greene County and \$41,400 in Eutaw.

DESCRIPTION OF ASSESSMENT AREA: GREENE COUNTY (CONTINUED)

During the CRA examination, two community contacts were made in the bank's assessment area. The individuals who were contacted represent the interests of local government and economic development organizations. Both contacts stated that there are no opportunities for financial institutions to participate in community development programs. According to one contact, there is a definite need in the area for better education. The contact stated that banks should become more concerned with improving the educational structure of the county, and if more emphasis and concern is placed on a better educational system, industries may be more likely to locate in Greene County. The contact also stated that banks in the area should communicate more with the local citizens regarding the types of credit products offered and the bank's requirements for loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the 1995 Consolidated Reports of Condition and Income, the bank's average loan-to-deposit ratio for the four quarters ending December 31, 1995, is 48.2 percent. The average loan-to-deposit ratio for six financial institutions ranging in asset sizes of \$40.7 million to \$63.2 million in neighboring counties is 53.1 percent. (The only other financial institution in Greene County is a branch of a savings and loan headquartered in Birmingham.) Given the large number of small dollar loans and short-term construction loans made by the bank, the loan-to-deposit ratio meets the standards for satisfactory performance.

During the examination, 109 consumer loans and 46 residential real estate loans were sampled. The analysis provided information on the percentage of loans within the bank's assessment area, the distribution of loans among income levels of borrowers (the income analysis was performed only on real estate loans because written applications for consumer loans are not required by the bank), and the distribution of loans among the income levels of the BNAs. 82 percent (89) of the consumer loans in the sample and 89 percent (41) of the real estate loans were in the bank's assessment area. The bank's lending in its assessment area exceeds the standards for satisfactory performance.

The majority of the real estate loans in the sample were extended to borrowers with incomes of less than 80 percent of the median family income, which is consistent with the makeup of the bank's assessment area. The incomes are based on a percentage of the median family income of \$24,500 for all areas in Alabama that are not part of a metropolitan statistical area (MSA). The following table shows the distribution of the real estate loans by borrower income level.

INCOME LEVEL	PERCENT OF MEDIAN INCOME	NUMBER OF LOANS	PERCENT OF TOTAL
Low	Less than 50	17	41
Moderate	50 to less than 80	8	20
Middle	80 to less than 120	7	17
Upper	120 and above	9	22
Total		41	100

Based on the sample, the bank's lending to borrowers of different income levels meets the standards for satisfactory performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

The majority of the bank's consumer and real estate loans were made to individuals living in Eutaw, the most populated BNA in the bank's assessment area. The geographic distribution of consumer and real estate loans sampled that were inside the bank's assessment area is as follows:

BNA	AREA	BNA INCOME LEVEL¹	CONSUMER LOANS/PERCENT OF TOTAL CONSUMER LOANS	REAL ESTATE LOANS/PERCENT OF TOTAL REAL ESTATE LOANS
9743	Mantua-West	Moderate	0 / 0%	1 / 2.5%
9744	Eutaw	Moderate	61 / 69%	32 / 78%
9745	Boligee	Low	27 / 30%	7 / 17%
9746	Forkland-Tishabee	Moderate	1 / 1%	1 / 2.5%
Total			89 / 100%	41 / 100%

The bank's entire assessment area is considered low- and moderate-income. According to management, very few loans are extended to individuals in BNAs 9743 and 9746 because the residents of those areas trade in neighboring cities. For residents in the Mantua-West area, most of the trading is done in Aliceville. Similarly, Forkland-Tishabee residents conduct most of their business in the city of Demopolis. Since the last examination, the bank has originated a total of 36 loans in these areas. Given the locations of the residents and the cities in the area, the geographic distribution of the bank's loans meets the standards for satisfactory performance.

Since the previous examination, no CRA-related complaints have been filed against Merchants & Farmers Bank of Greene County.

During the examination, the bank's compliance with fair lending laws and regulations was reviewed. The review included an analysis of accepted and rejected consumer loan applications and commercial loan applications. The fair lending analysis revealed no evidence of disparate treatment or other illegal credit practices. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

¹BNA income level is determined by dividing the median family income of each BNA by the median family income for non-MSA areas in Alabama.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS FEBRUARY 20, 1996, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

(Signature of Authorized Officer)

(Title)

MERCHANTS & FARMERS BANK OF GREENE COUNTY

(Name of Bank)

EUTAW, ALABAMA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Merchants & Farmers Bank of Greene County
Post Office Box 568
Eutaw, Alabama 35462

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Phyllis Harwell using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Name of Bank: MERCHANTS & FARMERS BANK OF GREENE COUNTY

City and State: EUTAW, ALABAMA

Date of Examination: FEBRUARY 20, 1996

FEDERAL RESERVE BANK OF ATLANTA